



## Committee report

Committee	<b>CABINET</b>
Date	<b>TUESDAY, 9 JULY 2013</b>
Title	<b>STAG LANE RENEWABLE ENERGY SITE - EXTENSION OF PREFERRED BIDDER STATUS TIMESCALE</b>
Report of	<b>CABINET MEMBER FOR RESOURCES</b>

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### EXECUTIVE SUMMARY

1. This report considers a request from Real Ventures for an extension to its preferred bidder (see paragraph 4) status in respect of its option to purchase the Stag Lane Tip site for renewable energy purposes. It acquired this option in 2010 to undertake site investigation works necessary to satisfy the Environment Agency and in order to submit a planning application for its proposals. The option was extended for 15 months in 2011 and a further 12 months in 2012.

### REASONS FOR URGENCY

2. This decision has not previously appeared on the forward plan because it was assumed that the preferred bidder would have made a planning application by the end of its current option (July 2013) and if it had not done so then it would have made an earlier approach to the council for a further extension to its option. It has not however made a planning application and only approached the council at the beginning of June to seek a further extension to its position of preferred bidder. It is important that consideration is given to this latest request for an extension before its current position as preferred bidder terminates. It is also beneficial to disapply the normal call-in procedures to this decision so that it can be implemented before the end of July.
3. The chairman of the Overview and Scrutiny Committee has been consulted on this report and the reasons for the urgent decision, which he considers are legitimate and has agreed that call-in can be disapplied. He has also commented that, "he is disappointed that this decision needs to be made urgently, but understands the reason why".

### BACKGROUND

4. A restricted marketing exercise was undertaken by the council in late 2009/early 2010 of the former Stag Lane Tip site with a view to identifying suitable renewable energy schemes that would regenerate the site. This led to a Cabinet report in March 2010 agreeing to the appointment of a preferred bidder to enter into detailed discussions and

negotiations for the site, subject to planning. A preferred bidder being an organisation selected from a shortlist, against a set of criteria to enter into exclusive negotiations with the council.

5. The decision taken was to appoint Real Ventures as the preferred bidder with its proposal for the development of a 49 megawatt (MW) biomass scheme. Biomass is Biological material that can be used as fuel or for industrial production. It includes solid biomass such as wood, plant and animal products, gases and liquids derived from biomass, and the biodegradable element of commercial and industrial wastes and municipal wastes. It is normally provided in the form of wood chip or pellets and used in the production of heat or electricity.
6. In April 2011 the preferred bidder status was extended by Cabinet for a further 15 months, to allow for the extensive ground investigation and environmental works required to enable a planning application to be submitted.
7. A further extension of 12 months was granted to Real Ventures by cabinet in May 2012 as it required more time to complete the detailed investigations required by the Environment Agency, including ongoing ground monitoring over a period of time, and the need for full risk assessments relating to development on a former tip and waste permissions (to relocate existing waste from one part of the site to another) in order for it to submit a planning application.
8. Real Ventures' status as preferred bidder therefore ends on 31 July 2013 and it has approached the council with a request that this status is extended for a further period of 12 months so it is able to complete the detailed investigations required for it to submit a planning application.
9. Real Ventures has commented that: -

*"Because of the very difficult nature of the site, having been a Council tip for a significant period and then subsequently disused, we have had to carry out significant investigatory and monitoring work over the last 2 years. This has meant incurrence of considerable expense in employing specialist environmental advisers (WYG Ltd) and a specialist contractor (Geotechnical Engineering Ltd) to carry out the ground work and reporting.*

*Boreholes were sunk into and along the periphery of the site in 17th-25th May 2011 with monitoring of water levels and gas from these commencing in June 2011. We were advised that ideally 2 years of monitoring data would be required and so this work has continued, with the most recent visit there by Geotechnical Engineering Ltd on 29th/30th May 2013.*

*The overall conclusion that we have arrived at for the site is that although it will be difficult and very expensive to remediate, it is possible (dependent on the terms that we would take control of the site) to accommodate this work into the budget for a very significantly sized, high value project. The biomass CHP project that we have in mind would be able to accommodate such an investment in remediation.*

*On extension of the preferred bidder status we would re-evaluate the parameters of the project design, given the conclusions from our site investigations, in preparation to making a planning application. We would also be taking into account changes in the government support mechanisms for renewable heat and power, with formal announcements on this expected during July of this year.”*

## STRATEGIC CONTEXT

10. The proposal for a renewable energy scheme on this site meets one of the council's current corporate objectives in its corporate plan of regeneration and the economy. More specifically it would support the promotion of the green economy through jobs and sustainability. It also supports the council's corporate objective to deliver, 'budget savings through changed service provision'. The disposal of the site is also in accordance with the council's Strategic Asset Management Plan, approved in 2011.

## CONSULTATION

11. There has not been any additional consultation to that which informed the previous decisions to appoint Real Ventures as a preferred bidder and to extend this status.

## FINANCIAL / BUDGET IMPLICATIONS

12. The site comprises a former municipal tip which is owned and managed by the Isle of Wight Council, but for which the council has no restoration plan nor does it have any budget for remediation of the site sufficient for regeneration or redevelopment purposes. One of the principal reasons for marketing this site was to establish whether there were any parties prepared to take on the liability of land remediation, which is likely to be extremely costly, as part of their renewable energy proposals.
13. Previous estimates in 2010 for removal of contaminated waste material (circa 35,000 cubic metres from only half of the site) for remediation purposes were between £3.5 million and £5 million.
14. Any development of the site will require new Environment Agency licences and these will only be granted if detailed remediation is undertaken in accordance with its requirements.
15. Any land transaction will reflect the cost of remediating the site and these costs are likely to outweigh any inherent land value.
16. All of the costs of the site investigations undertaken by Real Ventures as preferred bidder have been funded by it and at its own cost. There are no direct cost implications to the council of extending the preferred bidder status as all work in relation to this proposal, and negotiations with Real Ventures, are being undertaken within existing budgets.

## LEGAL IMPLICATIONS

17. Section 123 of the Local Government Act 1972 allows the council to dispose of land for 'best consideration'. Best consideration is not limited to the highest achievable price, but

can also include the value of other economic or social benefits particularly where these further the council's corporate objectives.

## EQUALITY AND DIVERSITY

18. The council, as a public body, is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its services, policies/strategies, and decisions with regards to diversity legislation and the nine protected characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership). None of the identified groups are likely to be adversely discriminated against by this proposal, particularly as the land does not currently benefit any part of the community.

## CARBON EMISSIONS

19. The proposed disposal of this land has no direct implications for the council's Carbon Management Plan, insofar as the site comprises an undeveloped former municipal tip. However the proposed development of the site to a 49 mega watt biomass plant is likely to have a significant positive impact on the Island's overall carbon footprint, as the plant is anticipated to generate sufficient electricity for a large percentage of the Island's population (suggested to be in excess of percent).

## OPTIONS

20. The following options are offered for members' consideration
  - (1) Extend the preferred bidder status timescale for a further 12 months.
  - (2) Require Renewable Ventures to submit a planning application before any further extensions of time are considered.
  - (3) Give further consideration to the future use of the site before any further works are undertaken with regard to its disposal.
  - (4) Remarket the site on the same basis as in 2010.
  - (5) Not extend the preferred bidder status timescale.

## RISK MANAGEMENT

21. Real Ventures has had the benefit of preferred bidder status for the site for more than three years. Notwithstanding that it has been active on the site there is felt to be a risk that, if a further extension is granted, Real Ventures will not be able to complete the investigation works necessary within the time available for it to submit a planning application for the site. This could be mitigated by conditioning any further extension on the basis that a planning application must be submitted by its end date.
22. There is a risk that the requirements of the Environment Agency for extensive ground monitoring and risk assessments in order to produce appropriate plans for the remediation and development of the site for regeneration makes the site unusable for these purposes. This can only be determined however, once a developer has

undertaken all of these works and reached agreement with the Environment Agency in respect of a scheme. At present the costs of reaching such an agreement are being borne by Real Ventures but would fall to the council or a new developer if another approach was to be taken to the development of the site.

23. Although there was some other interest in the site when it was marketed for renewable energy purposes there is a risk that no other parties would be interested in the site for these purposes if the preferred bidder status with Real Ventures was to be terminated. The difficulties in meeting the Environment Agency's requirements tend to a risk of finding other parties that would be interested in developing the site for similar purposes.
24. There is thought to be a low risk of Real Ventures seeking to recover from the council the costs of its investigative works which it has incurred as the preferred bidder. This is mitigated by the terms of the agreement between it, as preferred bidder and the council which provide for it to undertake the site investigations at its own risk and cost. The council would strongly contest any such action
25. There is a risk that if the council is unable to secure an alternative use of the site it will need to undertake some works to ensure that it limits its on-going liabilities in respect of a closed former tip site.

## EVALUATION

26. Real Ventures has been actively pursuing its proposals since being appointed as preferred bidder some three years ago. It could be considered that its delays in submitting a planning application for the development of a 49MW biomass plant are linked directly to its need to satisfy the requirements of the Environment Agency. That having been said Real Ventures have not been able to provide any further indication of when it would expect to be able to submit a planning application. At the point of the previous decision it had indicated that an application would be likely in the fourth quarter of 2012 but this was not forthcoming.
27. There can therefore be no guarantee that Real Ventures would be able to submit a planning application if it were granted a further 12 month extension to its preferred bidder status. The council may, if it so wished, condition any extension that a planning application must be submitted within this latest extension period but this could not guarantee that an application would be made. It would however give a clear message to the company that no further extensions will be considered if this were not achieved.
28. It is clear from the work undertaken by Real Ventures that the regeneration of this site is complicated and driven by the need to satisfy the Environment Agency that there is a suitable plan for managing the issues that arise from developing a closed former tip. Any party, including the council, would have to overcome these complications and it is arguable that, having had three years' experience of the site, Real Ventures are best placed to continue with its plans for its redevelopment. Any other party would have to go through the same processes as Real Ventures has over the past three years.
29. Members may also wish to consider whether the development of a 49MW biomass plant on the site is consistent with the council's current and future aspirations for the Island and its economy. The decision to market the site for renewable energy purposes in 2009/10 was based on the council's then aspirations to develop the economy making best use of

the potential natural resources on the Island on a large scale. Renewable energy technologies have developed in a number of different ways in the period since and Members may wish to consider how the council should respond to these developments in the widest sense before determining how it would wish the Stag Lane site to be used in the future.

#### RECOMMENDATION

30. The views of the Cabinet are requested

#### BACKGROUND PAPERS

- Cabinet Report March 2010, "Proposal for the Potential Disposal of Land at Stag Lane in Connection with Renewable Energy Industries" [[Paper F](#)]
- Cabinet Report April 2011, "Stag Lane – Extension of Preferred Bidder Status" [[Paper D](#)]
- Cabinet Report May 2012, "Stag Lane Renewable Energy Site – Extension of Preferred Bidder Status Timescale" [[Paper C](#)]
- UK Bioenergy Strategy (April 2012) [[UK Government](#)]

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